

TO: PM USA Employees

DATE: June 20, 1995

FROM: James J. Morgan

First, I wanted to take this opportunity to once again tell each of you how proud I am of the way we came together as a team to implement one of the most extensive and successful recalls in consumer products history. You did a superb job, and I, and the entire Senior team, applaud your efforts.

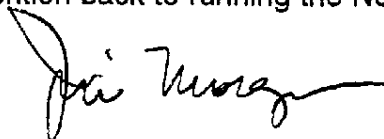
Secondly, now that the recall is completed I wanted to share with you our conclusions and findings about the recall. We are also sharing these findings with the media and general public by issuing the statement that is attached to this memo.

The major findings are:

- Our initial announcement attributing our taste and odor problem in some of our cigarettes to a single lot of plasticizer was correct.
- The materials found in that lot of plasticizer, which caused us a quality problem because of the taste and odor, never represented a safety problem for our consumers. Nevertheless, due to our commitment to deliver only the highest quality products to our consumers, we were right to execute the recall and would do so again if faced with the same circumstances.
- In our desire to quickly and effectively execute the recall based on the best information available to us at the time, we erred in concluding that the materials found in that single lot of plasticizer triggered a reaction that formed a substance known as methyl isothiocyanate (MITC) in some of our filters.
- After a comprehensive investigation we have concluded that very small trace levels of MITC are present in our paperboard packaging as well as the paperboard packaging used by other tobacco manufacturers, over-the-counter pharmaceutical companies, food and personal care product companies.
- Finally, our investigation and that of outside independent toxicologists confirms that the trace amounts of MITC that may be found in some of our filters do not present a safety concern whatsoever.

In short, we had a quality problem which we corrected with the recall. There was not, and there is not now, a safety issue with our products.

Again, congratulations and thanks. Now let's all turn our attention back to running the No. 1 tobacco company in the country.



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